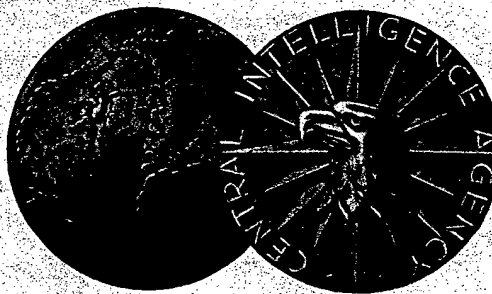


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# WEEKLY SUMMARY



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CENTRAL INTELLIGENCE AGENCY

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## THE BERLIN DISPUTE

Despite the Soviet Union's acceptance of the proposal by the UN neutrals to continue negotiations on the Berlin currency question, Soviet establishment of a regime for east Berlin, by completing the political and administrative division of the city, has greatly increased the obstacles to a settlement of both the Berlin dispute and the entire German question. The USSR has utilized the UN negotiations to gain time for consolidating the Soviet position in Berlin and eastern Germany. Moreover, by exerting greater pressure upon the western powers to withdraw from Berlin, the USSR has now relegated the currency question to relative insignificance in comparison to the far more explosive problem inherent in the establishment of two separate governments in Berlin.

### "Rump" Government Establishment of a Communist "rump" government in Berlin

represents a Soviet attempt to counter the 5 December elections in the western sectors and to block UN interference in city affairs. This latest move has placed the Kremlin in the position of being able to make "paper" concessions to the west on four-power currency control for Berlin with the knowledge that such concessions can only be implemented through a centralized administration in the city. Thus, even if agreement on currency is reached, these recent Soviet moves will make it necessary for any future conference on the Berlin dispute to deal with the problem of city government. In such a conference, the USSR might demand a consolidation of the two separate city governments. Any resulting "compromise" government would: (1) provide the USSR with Communist representation in key positions, far out of proportion to that which could reasonably be expected in an open general election; (2) increase Communist ability to impair the functioning of the Berlin government; and (3) strengthen the Soviet potential for undermining the position of the western powers in Berlin.

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**Economic Consequences** The immediate effect in Berlin of the creation of a separate Communist government will be to intensify the political and economic impasse by making normal city government virtually inoperable. Following the 5 December elections in the western sectors of the city, the USSR may complete the economic split of the city by carrying out its already publicized threats to take measures which would: (1) require workers living in the Soviet sector and working in the western sectors or vice versa to change either their place of residence or their place of employment; (2) force some of the industrial and commercial enterprises in the west sectors to stop production while municipal gas lines, water mains, and sewers, now functioning as a city-wide unit, were being reconstructed to fit sector boundaries; (3) seriously impair maintenance and operation of surface transportation; (4) cut off electricity for the S-Bahn intercity trains in western sectors; (5) stop subways and elevated trains at zonal boundaries; and (6) disrupt telephone, telegraph, and postal services while they were being re-established on an east-west zonal basis.

**Tightening Blockade** In addition to possible Soviet actions which would completely cut off still functioning municipal services from the western sectors of Berlin, recent re-groupings of the Brandenburg land police suggest that the USSR may throw a cordon around the western sectors of the city. Hitherto, a considerable unofficial barter of goods and a lively traffic in illicit items between the western sectors of Berlin and Soviet-occupied territory have materially relieved the needs of the western sector population. Although the Soviet noose around Berlin has been deliberately left loose because of trade advantages derived by the USSR, energetic police action could substantially reduce those important commercial operations. If this tightened blockade is imposed and effectively implemented, a material increase in the airlift will be necessary in order to maintain the present level of health and economic welfare of western sector residents.

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## F A R E A S T

### CHINA

**Military Situation** The Communists are entering upon the final phase of their battle for Central China and the Nationalist capital of Nanking. As a result of clever strategy, the Communists have stopped the southern drive of the encircled Hsuehou garrison and appear to have nullified any military contribution by the 12th Army Group, which had been en route from the southwest to relieve the Hsuehou garrison. Meanwhile, a large force of first-line Communist troops extracted from the Hsuehou perimeter has driven south in rapid, well-coordinated moves and is in the process of encircling, bypassing, or eliminating the remaining second-rate Nationalist defenders along the Huai River line in the Pangfou area. US military field observers consider the Nationalist situation hopeless in Central China. The Nationalist Ministry of Defense will probably make an interim move to Namchang while the key personnel of Chiang Kai-shek's administration will probably be divided between Canton and Chungking. The impending Nationalist military collapse in Central China will signify the end of organized, effective Nationalist military resistance. Moreover, the removal of Chiang's Government from Nanking would involve a serious loss of prestige and authority. The transferred Government would probably be unable to maintain control in the greater part of non-Communist China for long.

**Communist Policy** Recent statements from authoritative Chinese Communist sources emphasize the strong ideological affinity existing between the USSR and the Chinese Communist Party (CCP) and indicate

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## CHINA

that Soviet leadership, especially in foreign affairs, will probably be faithfully followed by any Communist-dominated government in China. This pro-Soviet orientation has been revealed by: (1) recent Chinese Communist statements echoing the Soviet view that "the world is divided into two camps"; and (2) the CCP Central Committee endorsement in July of the Cominform condemnation of Tito. Chinese Communist propaganda has been accusing the "US State Department and US espionage organizations" of jointly plotting to "destroy the national liberation movement" in China. Thus a convenient pretext is being fabricated for possible future suppression or liquidation of those Chinese Communists unwilling to follow the Stalinist line.

**Autonomous Taiwan** Chinese officials in Taiwan may attempt to set up autonomous rule if Nanking falls to the Communists. Mounting criticism of the National Government, together with unusual local military conferences, suggests that Governor Wei Tao-ming and other Chinese officials in Taiwan are attempting to capitalize on native dislike of rule by mainland Chinese. An autonomous regime under such leadership would appeal to many resident Chinese and upper-class Taiwanese, and its establishment would be facilitated by the firm control which the present provincial government now exercises. Such a new regime, however, would have difficulty, on the one hand, absorbing any Nationalist elements which might attempt to use the islands as a base of operations against the Chinese Communists, and, on the other, gaining the support of native Taiwanese who seek complete independence from Chinese rule.

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